



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM:

Wendy L. Watanabe
Auditor-Controller

SUBJECT: **SHERIFF'S DEPARTMENT CONTRACT CITY GROWTH AND GRANT
PROGRAMS REVIEW**

During our review of the Sheriff's Department (Sheriff's or Department) contract city billing rates in Fiscal Year (FY) 2004-05, we noted that the Sheriff's was not billing certain contract cities the full cost for some law enforcement (patrol) services, instead, they were billing these contract cities for some deputies at reduced rates under the Sheriff's Growth and Grant Programs (Programs). Because these Programs offer substantially lower billing rates to contract cities, we decided to evaluate the Programs to determine their fiscal impact.

We have completed a review of the Sheriff's Growth and Grant Programs. Our review focused on evaluating the fiscal impact of the two Programs and the Sheriff's compliance with their own guidelines for each program. The review included interviewing Sheriff's and Chief Executive Office (CEO) management/staff and reviewing Sheriff's policies/procedures and contract city billing records.

BACKGROUND

The Sheriff's provides patrol services to the unincorporated areas of the County and to 40 contract cities. In 1997, the Sheriff's developed two separate reduced rate programs, the Growth Program and Grant Program, to encourage cities to increase their contract patrol services. The billing rates are the same for both Programs. The rates include salaries, employee benefits, departmental overhead and other costs, but exclude some Sheriff's station administrative/overhead costs that are normally billed to

contract cities. At the Sheriff's request, the Auditor-Controller calculates the reduced billing rates for both Programs annually based on information from the Sheriff's. For FY 2008-09, the Growth and Grant Programs' rate was approximately \$139,100 per deputy service unit, or \$62,600 (31%) less than a regular deputy unit rate at \$201,700. Sheriff's management indicated that, during FY 2008-09, 31 contract cities purchased a total of 84 Growth and 31 Grant deputies.

While both Programs allow cities to purchase additional deputies at the same reduced rates, there are some differences in the Programs' requirements. For example, cities may purchase one Growth Program deputy for every ten full-cost deputies they purchase for a maximum of 17 months. Cities can only purchase Grant Program deputies using State or federal grant funds and the Grant Program is indefinite as long as cities demonstrate they are receiving law enforcement grant funding.

COMMENTS AND RECOMMENDATIONS

Program Approval

As noted earlier, the Sheriff's is billing contract cities for less overhead for patrol services under the Programs' reduced rates than is normally billed to contract cities. In FY 2008-09, the amount of overhead that was not billed could have been as much as \$7.2 million. The Sheriff's indicated that the Board of Supervisors is aware of the reduced rate Programs through verbal discussions, and that the Programs' rates are included as a line item in the law enforcement contracts approved by the Board every five years. Sheriff's management also indicated that the Growth and Grant Programs are effective because cities have purchased more deputies because of the lower rates.

Considering their potential impact, the Sheriff's should work with the CEO to evaluate the Programs' requirements, overhead exclusions and fiscal impact on the Department and the County, and present the Programs to the Board for approval before continuing the Programs for FY 2010-11, since the FY 2009-10 rates have already been set. In addition, because the number of Program deputies cities purchase each year can change significantly, if the Programs are approved, Sheriff's management should report the fiscal impact of the Programs to the Board at least annually.

Sheriff's management emphasized that, if the Board does not approve continuing the Programs, several contract cities could cancel the reduced rate deputy units, rather than converting them to full-cost deputies, resulting in fewer patrol deputies, potentially longer response times and reduced public and officer safety.

Recommendations

Sheriff's management:

- 1. Work with the CEO to evaluate the Programs' requirements, overhead exclusions, fiscal impact on the Department and the County, and present the analysis to the Board for approval before continuing the Programs in FY 2010-11.**
- 2. If the Programs are approved, report the fiscal impact of the Programs to the Board at least annually.**

Growth Program Requirements

In 1997, the Sheriff's established limits to ensure cities do not purchase excessive Growth Program deputies. For example, cities may only purchase one Growth deputy service unit for every ten full-cost deputies and can only pay Growth Program rates for one 17-month period. We reviewed the five contract cities that purchase the most Growth deputies and noted the following:

- All five contract cities purchased more deputy units than they are allowed under the Program limits. For example, Lancaster and Palmdale each purchased 45 full-cost deputy units for FY 2007-08, giving them a maximum of five Growth deputies each. However, Lancaster and Palmdale purchased 25 and 24 Growth deputies, respectively.
- All five contract cities continued to pay the lower Growth deputy rate for more than the 17-month limit. For example, the Sheriff's allowed Lancaster to pay the discounted rate for between 24 to 40 months for 14 of their Growth deputies.

Sheriff's management indicated that they have allowed Lancaster and Palmdale to purchase more Growth Program deputies for longer than the Program guidelines allow due to an extraordinary need for additional services to combat increased crime. Sheriff's management indicated they have developed a plan for these cities to gradually convert the Growth Program deputies into full-cost deputies.

If the Board approves continuing the Growth Program in FY 2010-11, Sheriff's management needs to ensure they comply with the Board-approved Program requirements, and notify the Board if they believe extraordinary needs require variances from the approved guidelines.

Recommendations

If the Board approves continuing the Growth Program, Sheriff's management:

- 3. Ensure compliance with the Board-approved Growth Program guidelines.**
- 4. Notify the Board if they believe extraordinary needs require variances from the approved guidelines.**

Grant Program Requirements

The Grant Program guidelines require that cities receive State and/or federal law enforcement grant funds to purchase discounted rate deputies. However, unlike the Growth Program, the Department has not developed specific Grant Program limits, such as the maximum number of reduced rate deputies cities can purchase, the minimum amount of grant funding required per discounted deputy, the length of time cities can pay the discounted rate, etc.

Only four of the 24 cities that participate in the Grant Program purchased more than two Grant deputies. However, the lack of Program limits could result in cities purchasing more discounted deputies than justified. As indicated earlier, this can result in the Sheriff's/County absorbing additional overhead costs.

The Sheriff's should work with the CEO to develop more specific Grant Program guidelines, including the maximum number of reduced rate deputies cities can purchase, the minimum amount of grant funding required per discounted deputy and the length of time cities can pay the discounted rate, and include these limits in their analysis presented to the Board for approval.

Recommendation

- 5. Sheriff's management work with the CEO to develop more specific Grant Program guidelines and incorporate the guidelines in their analysis presented to the Board for approval, including:**
 - a. The maximum number of reduced rate deputies cities can purchase.**
 - b. The minimum amount of grant funding required per discounted deputy.**
 - c. The length of time cities can pay the discounted rate.**

Additional Growth and Grant Approvals

We noted that the Sheriff's does not require Executive management to approve increases in contract cities' service levels. These changes are reviewed and approved by the Sheriff's Contract Law Enforcement Bureau and Station management. However, since the Growth and Grant Programs offer significant billing rate reductions, we believe the Sheriff's should require that Executive management approve any increases in the number of Growth and Grant deputies, and annually review and approve the number of Growth and Grant deputies for each contract city.

Recommendation

- 6. If the Board approves continuing the Growth and/or Grant Programs, Sheriff's Executive management approve new Growth and Grant deputies, and annually review and approve the Growth and Grant deputies for each contract city.**

REVIEW OF REPORT

We discussed the results of our review with Sheriff's and CEO management. As mentioned, Sheriff's management indicated that the Growth and Grant Programs are effective because cities have purchased more deputies because of the lower rates. Sheriff's management also emphasized that if the Board does not approve continuing the Programs, several contract cities could cancel the reduced rate deputy units, rather than converting them to full-cost deputies, resulting in fewer patrol deputies, potentially longer response times and reduced public and officer safety.

Sheriff's management indicated they will not provide a written response to our report but will do so if requested by your Board.

Please call me if you have any questions, or your staff may contact Jim Schneiderman at (213) 253-0101.

WLW:MMO:JLS:MP

c: William T Fujioka, Chief Executive Officer
Leroy D. Baca, Sheriff
Public Information Office
Audit Committee
California Contract Cities Association
Independent Cities Association